



**LMA INTERNATIONAL N.V.**  
Company Registration No. 80879

**Financial Statements for the Second Quarter and Half Year ended June 30, 2006**

**PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS.**

**1 (a) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**Group Consolidated Statement of Operations:**

| (U.S. Dollars, in thousands)   | Three months ended<br>June 30, |                | Six months ended<br>June 30, |                   |
|--|--------------------------------|----------------|------------------------------|-------------------|
|  | 2006                           | 2005           | 2006                         | 2005              |
| <b>Net sales</b>   | \$24,368                       | \$21,501       | \$44,819                     | \$42,078          |
| Cost of sales  | (6,779)                        | (5,176)        | (12,452)                     | (9,919)           |
| <b>Gross profit</b>  | <b>17,589</b>                  | <b>16,325</b>  | <b>32,367</b>                | <b>32,159</b>     |
| Operating expenses (Note (1))  |                                |                |                              |                   |
| Selling, general and administrative  | (9,643)                        | (8,485)        | (18,868)                     | (16,981)          |
| Research and development   | (379)                          | (334)          | (794)                        | (545)             |
| Amortisation of intangible assets  | (14)                           | (3)            | (28)                         | (12)              |
|  | (10,036)                       | (8,822)        | (19,690)                     | (17,538)          |
| <b>Total operating income</b>  | <b>7,553</b>                   | <b>7,503</b>   | <b>12,677</b>                | <b>14,621</b>     |
| Interest income  | 85                             | 47             | 264                          | 83                |
| Interest expense   | (2)                            | (139)          | (104)                        | (202)             |
| Other, net (Note (2))  | 568                            | (403)          | 549                          | (634)             |
| <b>Other income / (expenses), net</b>  | <b>651</b>                     | <b>(495)</b>   | <b>709</b>                   | <b>(753)</b>      |
| <b>Net income before income taxes, minority interests and share of net earnings of associate</b> | <b>8,204</b>                   | <b>7,008</b>   | <b>13,386</b>                | <b>13,868</b>     |
| Income tax expense   | (741)                          | (711)          | (1,338)                      | (1,383)           |
| Minority interests (Note (6))  | 218                            | -              | 310                          | (25)              |
| Share of net earnings of associate (Note (7))  | 195                            | -              | 168                          | -                 |
| <b>Net income excluding non-recurring charges and stock compensation charge</b>                  | <b>\$7,876</b>                 | <b>\$6,297</b> | <b>\$12,526</b>              | <b>\$12,460</b>   |
| <u>Non-recurring charges and stock compensation charge (Note (8)):</u>                           |                                |                |                              |                   |
| Stock compensation charge  | (404)                          | -              | (718)                        | -                 |
| Non-recurring stock compensation charge  | -                              | -              | -                            | (24,160)          |
| One-off loyalty bonus (net of tax credit)  | -                              | -              | -                            | (3,139)           |
| <b>Net income (loss)</b>   | <b>\$7,472</b>                 | <b>\$6,297</b> | <b>\$11,808</b>              | <b>\$(14,839)</b> |

**Notes:**

(U.S. Dollars, in thousands)

|  |     |       |     |       |
|--|-----|-------|-----|-------|
| (1) Included in operating expenses above are:  |     |       |     |       |
| Depreciation and amortisation  | 445 | 497   | 955 | 964   |
| Allowance for doubtful debts   | 28  | 100   | 72  | 100   |
| Profit on sale of properties, plant and equipment  | -   | -     | -   | -     |
| (2) Included in other income above are foreign exchange gains / (losses)   | 609 | (634) | 622 | (884) |
| (3) Included in income tax expenses are adjustments for under or (over) provision of tax in respect of prior years | -   | -     | -   | -     |

(4) No bad debts were written off, neither were there any write-offs for stock obsolescence.

(5) There was no impairment in value of investments during the three months and six months ended June 30, 2006.

(6) Minority interests relates to our joint venture interest in LMA Urology.

(7) Share of net earnings of associate reflects our share of profits of LMA PacMed Pty Ltd. Under U.S. GAAP, we are required to make an adjustment to eliminate unrealised profit on our 30% share of our associate's inventory of laryngeal masks. This adjustment is netted off against share of net earnings of associate.

- (8)(i) Under the Company's Executive Share Option Plan, we issued share options to certain of our directors and employees during 2005. Under current U.S. GAAP, we are required to treat the fair value of these share awards as a compensation expense from 2006 onwards. The Company uses the Black-Scholes valuation model for calculating the fair value of these options and has determined that it will adopt the modified prospective method, as permitted under U.S. GAAP. The accounting treatment for these options has no impact on our cash flow, net assets or distributable reserves.
- (ii) Prior to the commencement of our offering in March 2005, we issued shares to certain of our directors, employees and associates, as well as issued shares to option holders and stockholders of LMA North America Inc. (LMANA) in connection with the LMANA reorganisation. Under U.S. GAAP, we are required to treat the fair market value of these share awards, together with such excess of fair market value over the exercise prices payable under that plan, as a compensation expense in the first quarter of the financial year ending December 31, 2005. This charge amounted to US\$24.2 million. Although this accounting treatment has no impact on our cash flow, net assets or distributable reserves, it caused us to record a net loss for the year ended December 31, 2005.
- (iii) Non-recurring loyalty bonus payable upon the Company's listing in the aggregate of US\$5.2 million (including employment taxes) was charged in the first quarter of 2005. This payment is deductible for tax purposes.

**1 (b)(i) A balance sheet for the group, together with a comparative statement as at the end of the immediately preceding financial year (under U.S. GAAP, the Company does not present a balance sheet).**

| (U.S. Dollars, in thousands)  | June 30,<br>2006 | December 31,<br>2005 |
|---|------------------|----------------------|
| <b>Assets</b>   |                  |                      |
| <b>Current assets:</b>  |                  |                      |
| Cash and cash equivalents   | \$22,374         | \$25,693             |
| Trade accounts receivable, less allowance for doubtful accounts       | 12,068           | 11,690               |
| Related party receivables   | 2,471            | 1,920                |
| Inventories   | 8,982            | 8,980                |
| Deferred income taxes   | 518              | 574                  |
| Prepaid expenses  | 1,015            | 586                  |
| Other current assets  | 4,140            | 2,696                |
| <b>Total current assets</b>   | <b>51,568</b>    | <b>52,139</b>        |
| Deferred tax assets   | 167              | 89                   |
| Property, plant and equipment, net                                    | 5,259            | 5,552                |
| Patents and other intangible assets, net                              | 3,662            | 1,312                |
| Investments   | 5,223            | 5,065                |
| Goodwill  | 5,824            | 5,824                |
| Other long-term assets  | 38               | 21                   |
| <b>Total assets</b>   | <b>\$71,741</b>  | <b>\$70,002</b>      |
| <b>Liabilities and shareholders' equity</b>                           |                  |                      |
| <b>Current liabilities:</b>   |                  |                      |
| Short-term bank borrowings  | \$-              | \$2,000              |
| Trade accounts payable  | 1,173            | 1,145                |
| Accounts payable to related parties                                   | 2,889            | 2,871                |
| Other current liabilities   | 6,015            | 6,596                |
| <b>Total current liabilities</b>                                      | <b>10,077</b>    | <b>12,612</b>        |
| Long-term bank borrowings   | -                | 8,000                |
| Deferred income taxes   | -                | -                    |
| Other long-term liabilities   | 102              | 102                  |
| <b>Total liabilities</b>  | <b>10,179</b>    | <b>20,714</b>        |
| <b>Minority interests</b>   | <b>(310)</b>     | <b>-</b>             |
| Commitments and contingencies   | -                | -                    |
| <b>Shareholders' equity</b>   |                  |                      |
| Common shares: Issued: 580,946,581                                    | 58               | 58                   |
| Additional paid-in capital  | 45,703           | 44,985               |
|   | 45,761           | 45,043               |
| Retained earnings   | 15,355           | 3,547                |
| Accumulated other comprehensive income                                | 756              | 698                  |
| <b>Total shareholders' equity</b>                                     | <b>61,872</b>    | <b>49,288</b>        |
| <b>Total liabilities, minority interests and shareholders' equity</b> | <b>\$71,741</b>  | <b>\$70,002</b>      |

1 (b)(ii) Aggregate amount of group's borrowings and debt securities.

| (U.S. Dollars, in thousands) | At June 30, 2006 |           | At December 31, 2005 |           |
|------------------------------|------------------|-----------|----------------------|-----------|
|                              | Secured          | Unsecured | Secured              | Unsecured |
| Repayable within one year    | \$-              | \$-       | \$-                  | \$2,000   |
| Repayable after one year     | -                | -         | -                    | 8,000     |

1 (c) A cash flow statement for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

| (U.S. Dollars, in thousands)  | Three months ended<br>June 30, |              | Six months ended<br>June 30, |                |
|---|--------------------------------|--------------|------------------------------|----------------|
|   | 2006                           | 2005         | 2006                         | 2005           |
| <b>Cash flows from operating activities:</b>  |                                |              |                              |                |
| <b>Net income (loss)</b>  | \$7,472                        | \$6,297      | \$11,808                     | \$(14,839)     |
| <b>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</b> |                                |              |                              |                |
| Depreciation and amortisation   | 445                            | 497          | 955                          | 964            |
| Deferred taxes  | (6)                            | (2)          | (4)                          | (38)           |
| Minority interest in net income of consolidated subsidiaries                                    | (412)                          | -            | (477)                        | 25             |
| Non-cash U.S. GAAP stock compensation charge  | 404                            | -            | 718                          | 24,160         |
| <b>Changes in operating assets and liabilities:</b>   |                                |              |                              |                |
| (Increase) / decrease in trade accounts receivables and related party receivables               | (3,317)                        | 88           | (956)                        | 3,508          |
| (Increase) / decrease in inventories  | (25)                           | (865)        | 70                           | (1,865)        |
| (Increase) / decrease in other assets   | (274)                          | 330          | (1,906)                      | (1,958)        |
| (Decrease) / increase in trade accounts payable and accounts payable to related parties         | (642)                          | 352          | (122)                        | (3,076)        |
| Increase / (decrease) in other current liabilities  | 241                            | (297)        | (589)                        | (728)          |
| <b>Net cash provided by operating activities</b>  | <b>3,886</b>                   | <b>6,400</b> | <b>9,497</b>                 | <b>6,153</b>   |
| <b>Cash flows from investing activities:</b>  |                                |              |                              |                |
| Purchase of investment (Note (1))   | -                              | -            | -                            | (974)          |
| Capital expenditures  | (673)                          | (837)        | (2,947)                      | (1,429)        |
| <b>Net cash used in investing activities</b>  | <b>(673)</b>                   | <b>(837)</b> | <b>(2,947)</b>               | <b>(2,403)</b> |
| <b>Cash flows from financing activities:</b>  |                                |              |                              |                |
| Net proceeds from issue of common shares  | -                              | -            | -                            | 16,070         |
| Proceeds from exercise of stock options   | -                              | -            | -                            | 65             |
| Dividends paid  | -                              | -            | -                            | (3,452)        |
| Repayment of advances from related parties  | -                              | -            | -                            | (17,576)       |
| Proceeds from bank borrowings   | -                              | -            | -                            | 20,000         |
| Repayment of bank borrowings  | -                              | -            | (10,000)                     | (10,000)       |
| <b>Net cash (used in) provided by financing activities</b>                                      | <b>-</b>                       | <b>-</b>     | <b>(10,000)</b>              | <b>5,107</b>   |
| Effect of exchange rates changes on cash  | 126                            | (80)         | 131                          | (72)           |
| Net increase / (decrease) in cash and cash equivalents  | 3,339                          | 5,483        | (3,319)                      | 8,785          |
| Cash and cash equivalents at the beginning of the period  | 19,035                         | 14,046       | 25,693                       | 10,744         |
| Cash and cash equivalents at the end of the period  | \$22,374                       | \$19,529     | \$22,374                     | \$19,529       |
| <b>Supplemental disclosure of cash flow information</b>   |                                |              |                              |                |
| Cash paid during the period for:  |                                |              |                              |                |
| Interest  | \$2                            | \$2          | \$157                        | \$29           |
| Income taxes  | \$928                          | \$23         | \$995                        | \$545          |

(1) An amount of \$1,913, disclosed under this heading in the First Quarter Financial Statement and Dividend Announcement for the three months ended March 31, 2006, has been reclassified to the "Capital expenditures" heading for the three months ended June 30, 2006.

- 1 (d)(i) A statement for the group showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (under U.S. GAAP, the Company does not present a statement of changes in equity).

| (U.S. Dollars, in thousands)            | Common stock | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income | Total Shareholders' equity |
|---|--------------|----------------------------|-------------------|--|----------------------------|
| <b>At January 1, 2006</b>               | <b>\$58</b>  | <b>\$44,985</b>            | <b>\$3,547</b>    | <b>\$698</b>                           | <b>\$49,288</b>            |
| Net income for the period               | -            | -                          | 4,336             | -                                      | 4,336                      |
| Foreign currency translation adjustment | -            | -                          | -                 | (7)                                    | (7)                        |
| Total comprehensive income              |              |                            |                   |  | 4,329                      |
| Stock compensation charge               | -            | 314                        | -                 | -                                      | 314                        |
| <b>At March 31, 2006</b>                | <b>58</b>    | <b>45,299</b>              | <b>7,883</b>      | <b>691</b>                             | <b>53,931</b>              |
| Net income for the period               | -            | -                          | 7,472             | -                                      | 7,472                      |
| Foreign currency translation adjustment | -            | -                          | -                 | 65                                     | 65                         |
| Total comprehensive income              |              |                            |                   |  | 7,537                      |
| Stock compensation charge               | -            | 404                        | -                 | -                                      | 404                        |
| <b>At June 30, 2006</b>                 | <b>\$58</b>  | <b>\$45,703</b>            | <b>\$15,355</b>   | <b>\$756</b>                           | <b>\$61,872</b>            |

| (U.S. Dollars, in thousands)            | Common stock | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income | Total Shareholders' equity |
|---|--------------|----------------------------|-------------------|--|----------------------------|
| <b>At January 1, 2005</b>               | <b>\$6</b>   | <b>\$1,340</b>             | <b>\$6,085</b>    | <b>\$775</b>                           | <b>\$8,206</b>             |
| Net loss for the period                 | -            | -                          | (21,136)          | -                                      | (21,136)                   |
| Foreign currency translation adjustment | -            | -                          | -                 | 17                                     | 17                         |
| Total comprehensive income / (loss)     |              |                            |                   |  | (21,119)                   |
| Stock options exercised                 | -            | 65                         | -                 | -                                      | 65                         |
| Acquisition of minority interest        | -            | 3,138                      | -                 | -                                      | 3,138                      |
| Stock issued on public offering         | 52           | 16,018                     | -                 | -                                      | 16,070                     |
| Stock compensation charge               | -            | 24,160                     | -                 | -                                      | 24,160                     |
| <b>At March 31, 2005</b>                | <b>58</b>    | <b>44,721</b>              | <b>(15,051)</b>   | <b>792</b>                             | <b>30,520</b>              |
| Net income for the period               | -            | -                          | 6,297             | -                                      | 6,297                      |
| Foreign currency translation adjustment | -            | -                          | -                 | (106)                                  | (106)                      |
| Total comprehensive income              |              |                            |                   |  | 6,191                      |
| <b>At June 30, 2005</b>                 | <b>\$58</b>  | <b>\$44,721</b>            | <b>\$(8,754)</b>  | <b>\$686</b>                           | <b>\$36,711</b>            |

- 1 (d)(ii) Details of any changes in the company's share capital.

None.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have been reviewed in accordance with Singapore Statement of Auditing Practice 11 – Review of Interim Financial Information.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

We have performed a review of the interim financial information of LMA International N.V. and its subsidiaries ("the Group") for the six months ended 30 June 2006. Such interim financial information has been prepared by LMA International N.V. for announcement on the Singapore Exchange.

Appendix 7.2 of the Singapore Exchange Securities Trading Limited Listing Manual ("Listing Manual") requires the preparation of interim financial information to be in compliance with the relevant provisions thereof. The accompanying financial information comprises the consolidated balance sheet of the Group as at 30 June 2006, and the consolidated statement of operations, consolidated changes in equity and consolidated cash flow statement for the three and six months ended 30 June 2006. The interim financial information is the responsibility of, and has been approved by, the directors. Our responsibility is to issue a report solely for the use of the directors on the interim financial information based on our review.

We conducted our review in accordance with the Singapore Statement of Auditing Practice 11, Review of Interim Financial Information. A review of interim financial information consists principally of applying analytical review procedures to financial data and making inquiries of, and having discussions with, persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with Singapore Standards On Auditing and does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that there is any material modification that needs to be made to the accompanying interim financial information for it to be in accordance with Appendix 7.2 of the Listing Manual.

PricewaterhouseCoopers CI LLP, Jersey

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year with those adopted for the financial year ended December 31, 2005.

The Group's consolidated financial results have been prepared in accordance with U.S. GAAP.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Under the Company's Executive Share Option Plan, we issued share options to certain of our directors and employees during 2005. Under current U.S. GAAP, we are required to treat the fair value of these share awards as a compensation expense from 2006 onwards. The Company uses the Black-Scholes valuation model for calculating the fair value of these options and has determined that it will adopt the modified prospective method, as permitted under U.S. GAAP. The accounting treatment for these options has no impact on our cash flow, net assets or distributable reserves.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

| (U.S. Dollars, in thousands, except share and per share amounts)                                | Three months ended<br>June 30, |              | Six months ended<br>June 30, |              |
|---|--------------------------------|--------------|------------------------------|--------------|
|   | 2006                           | 2005         | 2006                         | 2005         |
| Net Income attributable to shareholders excluding one-off charges and stock compensation charge | \$7,876                        | \$6,297      | \$12,526                     | \$12,460     |
| Number of shares  | 580,946,581                    | 580,946,581  | 580,946,581                  | 580,946,581  |
| <b>Basic and diluted earnings per share before non recurring items (in U.S. cents)</b>          | <b>1.356</b>                   | <b>1.084</b> | <b>2.156</b>                 | <b>2.145</b> |

**7. Net asset value for the group per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.**

| (U.S. Dollars, in thousands, except per share amounts) | June 30, 2006 | December 31, 2005 |
|--|---------------|-------------------|
| Net assets of the Group                                | \$61,872      | \$49,288          |
| <b>Net assets per share (in U.S. cents)</b>            | <b>10.650</b> | <b>8.484</b>      |

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

The LMA International N.V. Group designs, develops, markets and distributes medical equipment, principally the LMA™ laryngeal mask airway line of supraglottic airway device products. We market and distribute our products in over 100 countries through a combination of our direct sales force in the United States, Germany and Singapore and a network of 68 independent distributors.

The following tables set forth, for the periods indicated, our sales for each of our two geographic markets, expressed in U.S. dollars and as a percentage of total net sales, as well as total sales by units, of reusable and of single-use products, together with global average revenue per unit for such devices:

|                        | Three months ended June 30, 2006 |             | 2005          |             | Six months ended June 30, 2006 |             | 2005          |             |
|------------------------|----------------------------------|-------------|---------------|-------------|--------------------------------|-------------|---------------|-------------|
|                        | US\$'000                         |             | US\$'000      |             | US\$'000                       |             | US\$'000      |             |
| United States          | 14,373                           | 59%         | 12,970        | 61%         | 27,157                         | 61%         | 25,725        | 61%         |
| Rest of the World      | 9,995                            | 41%         | 8,531         | 39%         | 17,662                         | 39%         | 16,353        | 39%         |
| <b>Total net sales</b> | <b>24,368</b>                    | <b>100%</b> | <b>21,501</b> | <b>100%</b> | <b>44,819</b>                  | <b>100%</b> | <b>42,078</b> | <b>100%</b> |
| Reusable devices       | 11,627                           | 48%         | 11,913        | 55%         | 21,740                         | 49%         | 23,842        | 57%         |
| Single-use devices     | 11,416                           | 47%         | 9,119         | 43%         | 20,927                         | 47%         | 17,375        | 41%         |
| Other                  | 1,325                            | 5%          | 469           | 2%          | 2,152                          | 4%          | 861           | 2%          |
| <b>Total</b>           | <b>24,368</b>                    | <b>100%</b> | <b>21,501</b> | <b>100%</b> | <b>44,819</b>                  | <b>100%</b> | <b>42,078</b> | <b>100%</b> |

|   | Three months ended June 30, 2006 |                  | 2005   |                | Six months ended June 30, 2006 |                  | 2005    |                  |
|---|----------------------------------|------------------|--------|----------------|--------------------------------|------------------|---------|------------------|
|   | Reusable units sold              |                  | 68,639 |                | 66,648                         |                  | 124,684 |                  |
| Single-use units sold                               |                                  | 1,293,787        |        | 871,717        |                                | 2,284,791        |         | 1,649,879        |
| <b>Total units sold</b>                             |                                  | <b>1,362,426</b> |        | <b>938,365</b> |                                | <b>2,409,475</b> |         | <b>1,782,776</b> |
| Average revenue per unit of reusable units (US\$)   |                                  | <b>169.39</b>    |        | <b>178.75</b>  |                                | <b>174.36</b>    |         | <b>179.40</b>    |
| Average revenue per unit of single-use units (US\$) |                                  | <b>8.82</b>      |        | <b>10.46</b>   |                                | <b>9.16</b>      |         | <b>10.53</b>     |

**Second quarter of 2006 (Q2 2006) compared to second quarter of 2005 (Q2 2005).**

**Group net sales** for Q2 2006 at US\$24.4 million, increased by US\$2.9 million or 13% over Q2 2005 and by US\$3.9 million or 19% over Q1 2006, as some of the benefits of the initiatives undertaken in Q1 2006 started to produce results. Q2 2006 unit sales of single-use devices increased to 1,293,787 or 48% up on Q2 2005. These sales increases have been achieved despite continuing aggressive price discounting as well as the introduction of new competitor products.

Net sales in the United States at US\$14.4 million for Q2 2006 increased by 11% over sales of US\$13.0 million for Q2 2005. The increase was largely driven by sales of single-use devices, together with a positive contribution from the LMA CTrach™.

Net sales for the Rest of the World at US\$10.0 million for Q2 2006 increased by 17% over sales of US\$8.5 million for Q2 2005. This increase would have been even higher if it had not been for Germany where sales were adversely affected by prolonged strikes by surgeons throughout the quarter. Sales in Germany for Q2 2006 were 39% lower than Q2 2005, which was a record quarter in 2005.

LMA CTrach™, which was fully launched in Q1 2006, generated net sales of US\$1.0 million for Q2 2006, up from US\$0.5 million in Q1 2006.

**Gross profit** increased by US\$1.3 million, or 8%, to US\$17.6 million for Q2 2006 from US\$16.3 million for Q2 2005. The increase was due primarily to an increase in net sales. Gross margin at 72.2% for Q2 2006 was down from 75.9% for Q2 2005, due primarily to a change in the product sales mix, although this margin was broadly in line with Q1 2006.

**Selling, general and administrative expenses** ("SG&A") increased by 14% to US\$9.6 million for Q2 2006 from US\$8.5 million in Q2 2005. This includes operating expenses incurred by our joint venture, LMA Urology, of US\$0.4 million. Excluding these expenses, SG&A increased by US\$0.7 million or 8.5%. Q2 2006 SG&A expenses (excluding LMA Urology) were 38% of net sales, down from 39.5% for Q2 2005 and lower than the 44% in Q1 2006 which included a number of unusual expenses.

**Operating income** (excluding LMA Urology expenses) increased by 7% to US\$8.0 million for Q2 2006 from US\$7.5 million for Q2 2005 due to the factors set out above. **Other income** increased by US\$1.2 million

due to foreign exchange gains of US\$0.6 million in Q2 2006, compared to losses in Q2 2005 of US\$0.6 million, and a reduction in interest payments due to the repayment of the bank loan in Q1 2006.

**Income tax expense** remained flat at US\$0.7 million for Q2 2006 as compared to Q2 2005. The effective tax rate was 9% for Q2 2006, compared to 10% for Q2 2005. This decrease in the effective tax rate was due to a lower proportion of profits generated in the United States as well as a lower tax rate in Jersey.

**Net income** excluding non-recurring charges and stock compensation charge increased by 25% to US\$7.9 million for Q2 2006 from US\$6.3 million for Q2 2005. Net income margin, excluding one-off charges, was 32% for Q2 2006 compared to 29% for Q2 2005.

**Net assets\*** amounted to US\$61.9 million at June 30, 2006, some US\$12.6 million higher than December 31, 2005.

**Net cash provided by operating activities** was US\$3.9 million for Q2 2006. Net cash used in investing activities totalled US\$0.7 million for the same period.

**First six months of 2006 (YTD 2006) compared to first six months of 2005 (YTD 2005).**

**Group net sales** for YTD 2006 were US\$44.8 million, up US\$2.7 million or 6.5% on YTD 2005 due to the reasons indicated above. Geographically, the United States achieved an increase of 5.6% over YTD 2005, while the Rest of the World achieved an increase of 8.0% over the same period. As previously stated, the sales increases, and resulting **Gross profit** increases, were largely due to increases in sales of single-use products in both markets.

**Selling, general and administrative expenses** increased by 11% to US\$18.9 million for YTD 2006 from US\$17.0 million in YTD 2005. This increase was due to the reasons stated above together with a number of non-recurring costs incurred and reported in Q1 2006. **Operating income** decreased by 13% to US\$12.7 million for YTD 2006 from US\$14.6 million for YTD 2005 due to the factors which adversely impacted Q1 2006. **Other income** increased by US\$1.5 million due to foreign exchange gains and reduced interest payments as mentioned above. **Net income** excluding non-recurring charges and stock compensation charge remained flat at US\$12.5 million.

\* Net Assets are measured as Total Assets less Total Liabilities less minority interest.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any - variance between it and the actual results.**

Not applicable.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The market is expected to continue to remain highly competitive for the rest of 2006 with aggressive price led competitor activities being the main feature. The Group remains positive and expects the operational improvement initiatives taken in Q1 and the successful launch of the LMA CTrach™ to have a positive impact on the Group's results for the full year. The Group continues to expect both sales and profit for the full year to improve on results in 2005.

LMA Urology, our 50% joint venture, received the CE Marking for its revolutionary intra-corporeal lithotripter, LMA StoneBreaker™, in June 2006. There has been high interest from Urologists in the product and the second half will see commencement of sales of this device.

**11. Dividends.**

Not applicable.

**12. If no dividend has been declared (recommended), a statement to that effect.**

The Company does not intend to declare dividends in the foreseeable future and did not declare any dividends in the second quarter of either year in this statement.

**13. Interested person transactions.**

Details of interested party transactions for the three and six months ended June 30, 2006 are as follows:

| Name of interested person        | Aggregate value of all interested person transactions during the <b>six months ended June 30, 2006</b> (excluding transactions less than \$100,000 and transactions conducted under shareholders mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under shareholders mandate pursuant to Rule 920 (excluding transactions less than \$100,000) |
|----------------------------------|--|--|
| Venner Trading Limited           | -  | \$2,326,000  |
| Venner Trading Singapore Limited | -  | \$8,336,000  |

| Name of interested person        | Aggregate value of all interested person transactions during the <b>three months ended June 30, 2006</b> (excluding transactions less than \$100,000 and transactions conducted under shareholders mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under shareholders mandate pursuant to Rule 920 (excluding transactions less than \$100,000) |
|----------------------------------|--|--|
| Venner Trading Limited           | -  | \$1,123,000  |
| Venner Trading Singapore Limited | -  | \$4,597,000  |